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**FISCAL IMPACT STATEMENT**

**LS 6930**

**BILL NUMBER:** HB 1254

**NOTE PREPARED:** Jan 21, 2015

**BILL AMENDED:**

**SUBJECT:** Medicaid Expansion and Affordable Care Study Committee.

**FIRST AUTHOR:** Rep. Clere

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
X FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill establishes the Affordable Care Study Committee.

The bill allows the Department of State Revenue (DOR) to establish a procedure to set off the earned income credit and the tax refund of certain Medicaid recipients for out-of-pocket expenses owed by the recipient.

**Medicaid Requirements:**

- (1) The bill modifies Medicaid provider reimbursement rates to mirror Medicare reimbursement rates for services provided to certain Medicaid recipients.
- (2) It adds Medicaid rehabilitation option services, chiropractic services, dental services, and optometric services to the Indiana Check-up Plan and requires certain services to be included if Medicaid is expanded.
- (3) It also requires the Office of Medicaid Policy and Planning (OMPP) to negotiate with the United States Department of Health and Human Services (HHS) for a Medicaid State Plan amendment (SPA) or Medicaid waiver concerning expansion of Medicaid.

**Reporting Requirements:**

- (1) The bill requires the Office of the Secretary of Family and Social Services (FSSA) to report to the Budget Committee and the Public Health, Behavioral Health, and Human Services Interim Committee (interim committee) if negotiations are unsuccessful.
- (2) It requires the FSSA to present specified information to the interim committee before August 1, 2015.
- (3) It also requires certain state agencies to report to the interim committee concerning a health insurance exchange in Indiana.

**Effective Date:** July 1, 2015.

**Summary of NET State Impact:** *Affordable Care Study Committee:* The Affordable Care Study Committee is estimated to cost under \$16,500 annually.

*Department of Revenue set off provision:* A set off for recovery of unpaid Medicaid copayments would depend on CMS approval. The amount of recoveries that might be collected is indeterminate.

*Medicaid Provisions:*

The bill would require the FSSA to prepare and submit two waiver amendment applications to the federal Centers for Medicare and Medicaid Services (CMS); one application to add the required bill provisions to the current operating HIP 1.0 waiver, and one to the HIP 2.0 application currently being negotiated with CMS. This would potentially reopen negotiations with CMS with regard to the HIP 2.0 expansion waiver. Amendments of the waivers could delay the implementation of the expansion by an unknown period of time depending on the length of time necessary for FSSA to prepare two amendment applications and the amount of time for CMS to approve the revision of each application.

Provisions required to be included in the HIP plan benefits are estimated to cost at least \$1.9 M for chiropractic services in HIP 1.0 and HIP 2.0. The cost of including dental services in the HIP 1.0 benefit plan is not known at this time. Dental services are included in the HIP 2.0 benefit plan for all those individuals that elect to pay premiums in the HIP 2.0+ plan. The bill contains other required provisions that are included in the current HIP 2.0 expansion waiver application.

Reports required of the Department of Insurance and FSSA should be accomplished within the current level of resources available to the agencies.

**Explanation of State Expenditures:** *Affordable Care Study Committee:* The establishment of the 21-member Affordable Care Study Committee is expected to annually cost up to \$16,500, assuming the Legislative Council continues to fund study committees at the same level as in the 2014 interim session. This bill establishes a 21-member study committee consisting of 12 legislators, 6 lay members, and 3 state employees. The committee is to operate under the policies governing study committees adopted by the Legislative Council. The committee would be staffed by the Legislative Services Agency. Legislative Council resolutions in the past have established budgets for interim study committees in the amount of \$16,500 per interim for committees with 16 members or more.

*Expanded Benefits Under Healthy Indiana Plan (HIP):* The bill would require that benefits offered within the HIP include Medicaid rehabilitation option services, chiropractic services, and optometric and dental services.

FSSA has reported that optometric services and some chiropractic services are currently covered in the HIP program. [Optometric services, only, are covered by the HIP; eyeglasses and other products are not covered. Chiropractic services covered do not include spinal manipulation. The statute allows services to be covered in a manner and to the extent determined by the FSSA.] If full chiropractic services are added to HIP 1.0 and HIP 2.0, the estimated costs are included in the table below. It is not currently known what additional cost would be incurred by adding dental services to the HIP 1.0 benefit package. The HIP 2.0 expansion waiver currently under negotiation with CMS, includes optometric and dental services in the HIP 2.0+ plan that is

required for individuals with incomes between 100% and 138% of the federal poverty level (FPL). Optometric and dental coverage is also available to all qualified individuals under 100% FPL as one of the incentives for these individuals to elect to pay small monthly premiums and participate in the HIP 2.0+ plan.

	HIP 1.0 No Expansion			HIP 2.0 Medicaid Expansion		
Year	Estimated Population	Total Cost	State Share	Estimated Population	Total Cost	State Share
FY 2016	61,000	\$1,098,000	\$371,893	409,104	\$7,363,872	\$0
FY 2017	61,000	1,098,000	371,893	433,830	7,808,940	195,224
FY 2018	61,000	1,098,000	371,893	439,904	7,918,272	435,505
FY 2019	61,000	1,098,000	371,893	451,419	8,125,542	528,160
FY 2020	61,000	1,098,000	371,893	457,739	8,239,302	700,341
<b>5-Year Total</b>		<b>\$ 5,490,000</b>	<b>\$ 1,859,465</b>		<b>\$ 39,455,928</b>	<b>\$ 1,859,230</b>
The HIP 1.0 population is assumed to be capped at the current level. The state FMAP percentage is assumed to be constant at the estimated 66.13% for FFY 2016. The HIP 2.0 estimated expansion population is from the Milliman estimates used for the HIP 2.0 waiver. FMAP rates are effective ACA expansion rates calculated for state fiscal years. Total cost is assumed to be \$1.50/PMPM as estimated by Milliman.						

The state cost associated with adding full chiropractic services for the Medicaid expansion population is less than that for the smaller HIP 1.0 population since the Federal Medical Assistance Percentage (FMAP) is higher for the expansion population than the 66.52% assumed to be paid for the HIP 1.0 population. Under provisions of the ACA, the enhanced FMAP for the newly eligible population in HIP 2.0 will be:

- (1) 100% for CY 2014, 2015, and 2016;
- (2) 95% in CY 2017;
- (3) 94% in CY 2018;
- (4) 93% in CY 2019; and
- (5) 90% in CY 2020 and thereafter.

*MRO Services:* Medicaid rehabilitation option services are currently available to individuals entitled to services in the Medicaid State Plan service package. Offered through the community mental health centers, MRO services include addiction counseling, case management, crisis intervention, medication training and support, intensive outpatient treatment, child and adolescent intensive resiliency services, as well as other services. The cost of including these services in the existing HIP 1.0 waiver program is not known at this time. However, individuals qualifying for MRO services may qualify for Medicaid on the basis of disability, which would entitle them to Medicaid State Plan services rather than the more limited HIP 1.0 benefit plan. As with other required bill provisions, additional services would require a HIP 1.0 waiver amendment and would be subject to the federal budget neutrality requirement for Medicaid waivers. In the event of the HIP 2.0 Plan being approved for use as the vehicle for Medicaid expansion, MRO services are an included benefit under the Medically Fragile program within HIP 2.0.

*Tax Refund Set Offs:* Contingent on the approval of the waiver for Medicaid expansion, the bill requires the Department of State Revenue to establish a procedure to set off the tax refund against the required out-of-pocket amount a Medicaid recipient has failed to pay. The set off would not apply to aged, blind, and disabled Medicaid recipients. Under the HIP 2.0 Plan, the set off would apply to Medicaid recipients

(including the expansion population) who have incomes less than 100% of the FPL and who choose not to pay premiums to participate in HIP 2.0+. It would not apply to recipients with incomes above 100% but less than 138% of the FPL who would be locked out of HIP 2.0 coverage for a period of up to 6 months for nonpayment of premiums. The FSSA is required to provide the Department of State Revenue with an itemized description of the amount owed that is subject to the set off. The bill provides that if an individual receives an earned income tax credit (EIC), the set off may only be applied to the portion of the refund attributable to the EIC; otherwise, the set off may be applied to the entire amount of the tax refund. If the allowable EIC or tax refund is insufficient to set off the entire amount owed, the refund is to be carried over to subsequent tax years. The set off would require federal CMS approval. The development and implementation costs of this requirement for FSSA and the Department of State Revenue are not known at this time.

**Explanation of State Revenues:** The income tax off set would be expected to recover an indeterminate amount of unpaid copayments.

The bill is silent with regard to the use of monies deposited in the Indiana Check-up Plan Trust Fund in the event of a federal approval for the Medicaid expansion.

Medicaid is jointly funded by the state and federal governments. The effective state share of program expenditures is approximately 33.5% for most current services. Current Medicaid medical services are matched by the effective federal match rate in Indiana at approximately 66.5%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Legislative Services Agency, Family and Social Services Administration, Department of Insurance, Department of Revenue.

**Local Agencies Affected:**

**Information Sources:** Family and Social Services Administration, “1115 Waiver Application, HIP 2.0, Healthy Indiana Plan”. CCH’s Law, Explanation and Analysis of the Patient Protection and Affordable Care Act, Including Reconciliation Act Impact, Volume 1, Wolters Kluwer, CCH, Aspen Publishers.

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